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Small Business and Entrepreneurship
in Atlantic Canada

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Highlights

- There are approximately 90,000 employer businesses in Atlantic Canada, 75% of which have fewer than five employees
- 95% of all Atlantic businesses have less than 100 employees
- Approximately 167,000 new jobs have been created in Atlantic Canada since 1989, the majority of which have been generated by new business start-ups
- 43% of these new jobs were created by micro-businesses with fewer than five employees
- Small businesses with less than 50 employees account for 78% of new jobs created since the last quarter of 1994

Size of Firms in Atlantic Canada, 1993



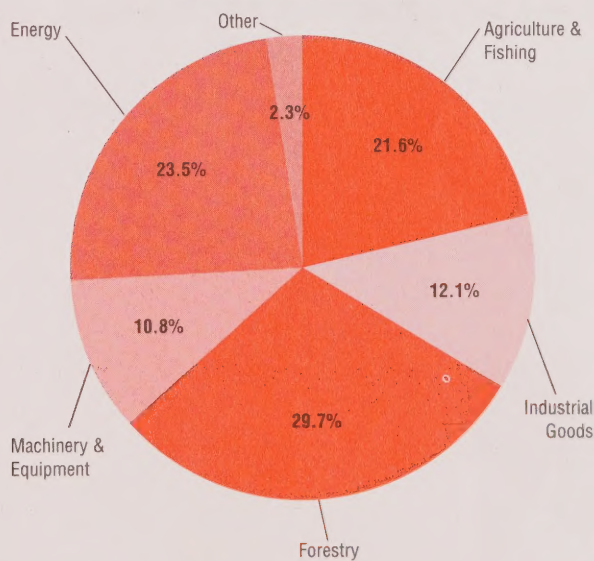
Source: Special run of *Employment Dynamics*, Statistics Canada

Trade

Atlantic Canadian businesses are increasingly looking to foreign markets as a way to expand and diversify their operations while creating wealth and employment for the region.

- 25% increase in the number of businesses exporting in Atlantic Canada since 1990; from 3,454 exporter-firms in 1990 to 4,334 in 1994
- 58% increase in total exports from the region since 1991, representing \$10.9 billion in 1996 from \$6.9 billion in 1991
- The \$10.9 billion in exports represents approximately 27% of the region's Gross Domestic Product (GDP)
- Canada, as a whole, exported goods valued at over 37% of the country's GDP in 1996
- NAFTA has opened the door for Canadian businesses to an additional 80 million Mexican consumers

**Exports by Commodity Grouping
Atlantic Canada, 1996**



Source: Statistics Canada



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Growing new businesses

- More than 17,000 new employer firms are created each year in Atlantic Canada
- Strongest growth sectors are in Personal and Business Services as well as Community Services
- The number of businesses grew by approximately 1% per year in Atlantic Canada between 1989 and 1993, surpassing the national performance during this period of general economic downturn

Anatomy of Job Creation

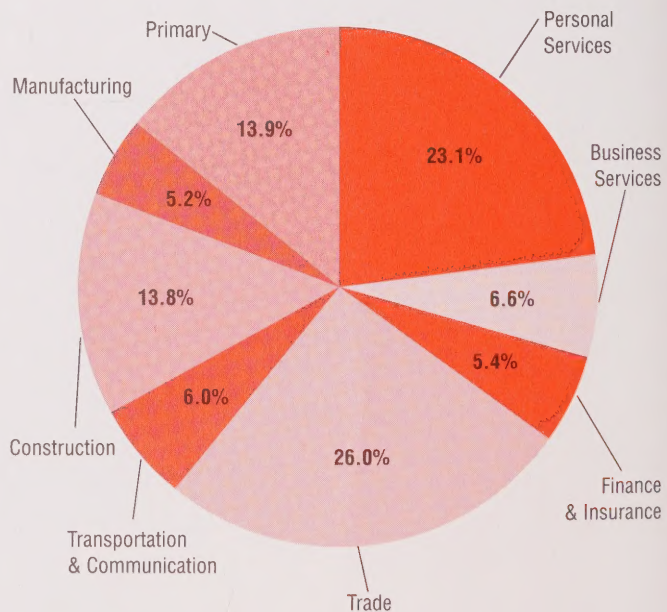
- New businesses accounted for three quarters of the total jobs created between 1989 and 1993
- In spite of the high entrance and exit rates for SMEs, employment in micro-businesses increased by 22,600 making them the only significant net employment creators during this period
- The creation of these new jobs was crucial to the region's economy which also saw an overall employment decrease of 46,500; 30,000 of which are attributable to the closure of the ground fishery
- SMEs share of total employment increased to 53.5% of the workforce while the large firms' share dropped to 46.4% from 54%

Micro-businesses and Self-employment

Micro-businesses, which are made up of self-employed individuals and businesses with less than five employees, play an increasingly important role in Atlantic Canada's small business community. Their numbers are growing faster than any other type of business registered in the region and faster than the total labour force.

- 29% increase in the micro-business share of total employment in the region; from 9% in 1989 to 12.2% of total employment in 1993.
- The level of self-employment in Atlantic Canada increased by 7.7% during this period, reaching 135,000, and by another 13% between 1992 and 1995

**Businesses by Industry Sector
Atlantic Canada, 1995**



Source: Statistics Canada

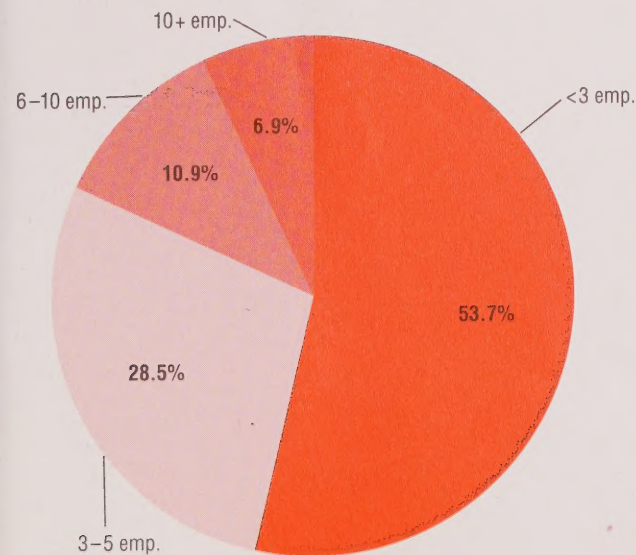
Home-Based Businesses

Home-based businesses are also taking on an increasingly important role in our economy. In fact, 33% of Canadian homes have some form of home-based business activity.

Three research studies focussing on the nature of home-based businesses in Atlantic Canada outline some of the advantages and challenges facing these entrepreneurs.

- 53.7% of home-based businesses employ less than three people; only 6.9% provide employment for more than 10 people
- 73% of owners have no other job outside their home-based operation
- 36.8% of home-based businesses provide more than half of the total household income
- 31.9% report gross revenues between \$25,000 and \$100,000
- Over 80% are looking to expand into new markets or products

Distribution of Home-Based Businesses by Business Size

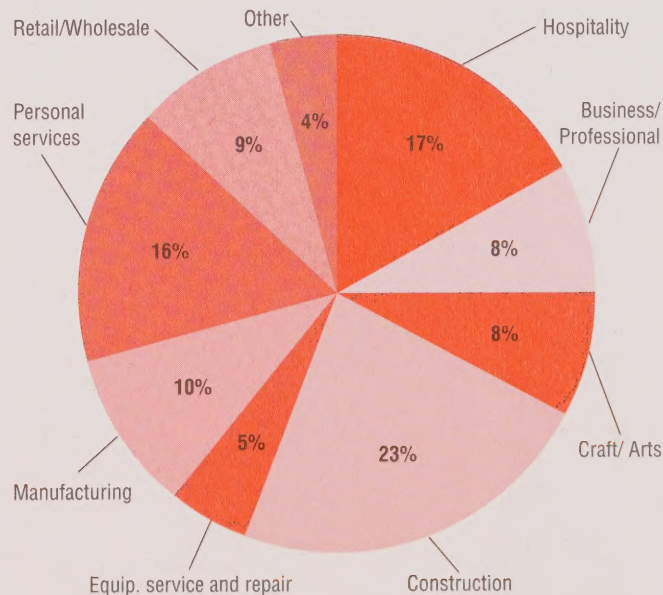


Youth and Small Business

More and more young people are looking at creating their own jobs by starting and operating a small business. In 1995, ACOA undertook an exploratory study of existing and aspiring young entrepreneurs to find out their needs relative to starting and growing small businesses. The study outlined some interesting facts about Atlantic Canada's young entrepreneurs

- Average 22 years old when they started their business
- Well educated
- Close to five years of work experience (full or part-time) in small private firms before starting their business
- 40% have established more than one business
- Desire for independence and need for personal accomplishment are primary motivating factors for business start-up
- 43% of existing young entrepreneurs had self-employed parents
- Access to financing remains the most significant barrier faced by young entrepreneurs

Distribution of Home-Based Businesses by Business Type



Source: *The State of Home-Based Business in Atlantic Canada; The Report of Research Findings from the Mount Allison University Study of Home-Based Business in Atlantic Canada, 1995.*

Entrepreneurship and Education

Between 1990 and 1996, major efforts were undertaken to refocus the education system at all levels in Atlantic Canada towards the encouragement of entrepreneurship. In fact, as many as 60,000 students from Kindergarten to grade 12 across Atlantic Canada are now exposed to entrepreneurship and enterprise concepts in the classroom.

In 1995, l'Université de Moncton did a follow-up to a 1989 study which examined the degree to which grade 12 students in the region were in tune with entrepreneurial concepts. The comparison revealed

- Over one-quarter of the 5,000 students surveyed in 1995 have a strong intention of becoming an entrepreneur, basically the same percentage as reported in 1989
- A growing number of students now view entrepreneurship as a viable and respectable career choice
- 1995 students experienced more opportunities to learn about the world of business and entrepreneurship in school
- A strong link exists between the quality and quantity of contacts and experiences with entrepreneurs and the students' beliefs about their own abilities regarding entrepreneurship

Entrepreneurship among Francophones

The first attempt to document and analyse entrepreneurship within the Acadian and Francophone community in Atlantic Canada was undertaken in 1996 by the Conseil économique du Nouveau-Brunswick. The study revealed that Acadian entrepreneurs are not dissimilar from their Anglophone counterparts.

- The desire to achieve and to be their own boss are primary motivators
- 70% of their businesses are family-owned
- 73% were started from scratch
- 43% of Acadians entrepreneurs own more than one business
- Requirements for personal guarantees and high debt ratios are the primary financial problems faced by Acadian entrepreneurs
- Women entrepreneurs experience additional problems of insufficient collateral
- Acadian entrepreneurs rarely look to outside, professional sources for business advice

CAT# C89-4/32-1997E

ISBN 0-662-25656-5

Cette publication est également disponible en français

N° de CAT C89-4/32-1997F

ISBN 0-662-81996-9

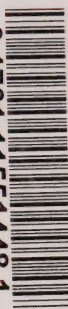


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